



Danish Carbon Fund

From the Government of Denmark



Denmark considers the threat to our climate posed by global warming to be one of the major problems that the world is facing. Denmark has committed itself to a considerable reduction of our emissions of greenhouse gases as our share of fulfilling the Kyoto Protocol obligations. We have agreed to reduce emissions from 1990 through the first commitment period (2008 to 2012) by 21%.



A key element in Denmark's National Climate Strategy is to apply the project-based mechanisms of the Protocol. The Government has decided to play a trend-setting role in this

by involving the private sector in this new business. Therefore, the government decided to fund activities with the aim of purchasing carbon credits by direct engagement with project partners as well as by engaging with carbon funds.

As a result, the Danish Carbon Fund (DCF) was formed early in 2005. The Fund consists of representatives of Danish industry together with the Ministry of Environment and the Ministry of Foreign Affairs. We are extremely pleased to see how the DCF is progressing, effectively reducing greenhouse gas emissions and contributing to sustainable development under the auspices of the World Bank.



We expect that these efforts can give added impetus to preparations for the post-2012 period. Denmark certainly expects to see the carbon business, including the Danish Carbon Fund, serving as good examples of how to further emission reductions all over the world.

Ulla Tørnæs
Minister for Development Cooperation

Connie Hedegaard
Minister for the Environment

Danish Carbon Fund Participants

MINISTRY OF FOREIGN
AFFAIRS OF DENMARK



MINISTRY OF FOREIGN AFFAIRS OF DENMARK

The Ministry of Foreign Affairs of Denmark is responsible for Danish activities related to the use of the CDM in developing countries, focusing on capacity development, project development and purchases of CDM credits. The plans and priorities for Danish development assistance include the strengthening of global climate efforts. CDM activities are carried out in close coordination with Danish environmental development assistance.*



MINISTRY OF THE ENVIRONMENT OF DENMARK

The Ministry of the Environment is in charge of administrative and research tasks in environmental protection and planning. The Ministry coordinates and implements international negotiations and reports obligations on climate issues within the European Union and the United Nations Climate Convention. It is also responsible for the fulfillment of Danish reduction commitments under the Kyoto Protocol and Danish implementation of the flexible mechanisms.*



AALBORG PORTLAND A/S

Aalborg Portland A/S is Denmark's only cement manufacturer and is the market leader on the Danish market. Today the Aalborg Portland Group is the world's largest manufacturer and exporter of white cement with production plants in Denmark, the United States, Egypt, Malaysia and China.*



DONG ENERGY

Elsam A/S and ENERGI E2 A/S (two former DCF participants) form part of DONG Energy, a merger of six Danish companies. DONG Energy is one of the leading energy groups in the Nordic region, with headquarters in Denmark. Dong's business is based on procuring, producing, distributing, trading and selling energy and related products in Northern Europe. The company employs approximately 4,500 people and generates DKK 33 billion in revenue.*



MAERSK OLIE OG GAS A/S

Maersk Olie og Gas A/S is the operator in the Danish North Sea for Dansk Undergrunds Consortium (DUC), a joint venture consisting of A.P. Moller - Maersk, Shell and Chevron.*



NORDJYSK ELHANDEL A/S

Nordjysk Elhandel A/S was established in 1998, and has since traded power with distribution companies and industrial clients in the deregulated Danish power market. Nordjysk Elhandel also trades carbon dioxide allowances and offers experience and knowledge to the Danish companies that have been allocated allowances. Our involvement in the Danish Carbon Fund is a natural step towards providing these services.*

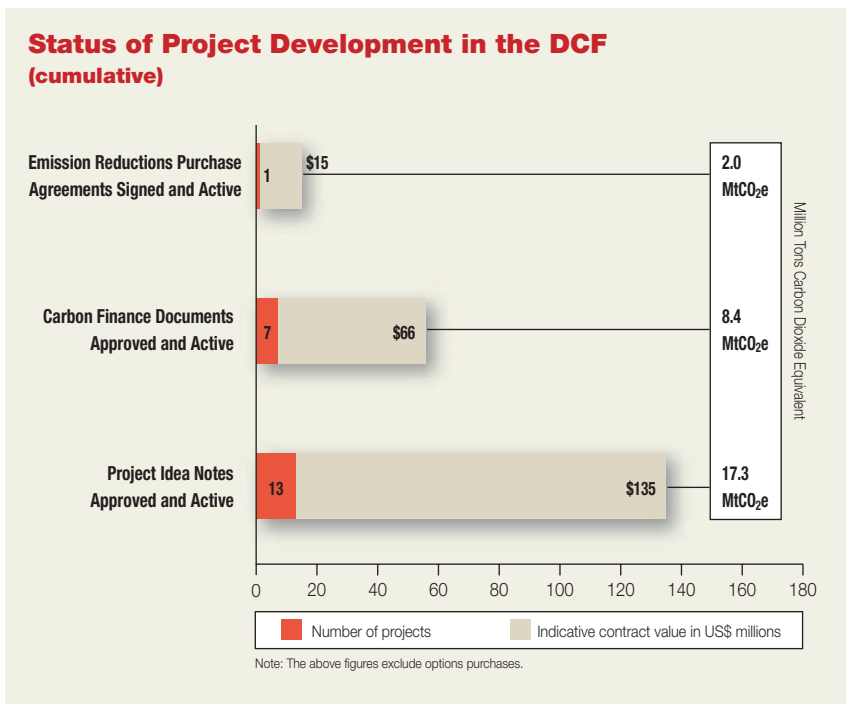
* The information in the participants' writeups in this report was provided by the participants of the various carbon funds managed by the World Bank and, with the exception of minor editorial changes, is reproduced in the same form in which it was provided. The views and opinions expressed in the participants' writeups are those of the participants providing the information and do not necessarily represent the views and opinions of the World Bank. The World Bank does not take any responsibility for the information contained or the representations made in the participants' writeups.

Danish Carbon Fund Portfolio Development

Much has been achieved in the Danish Carbon Fund (DCF) since it became operational in January 2005. At the time of writing this report, the DCF pipeline consisted of projects at different stages of development. Thirteen project idea notes are part of the DCF pipeline—seven of these projects have advanced to the carbon finance document stage and have been approved by the DCF. Together they represent 8.4 million tons of carbon dioxide equivalent emission reductions and are worth approximately \$66 million.

Through its participation in the World Bank Umbrella Carbon Facility, the DCF portfolio includes the DCF's share of \$15 million for two million tons of carbon dioxide equivalent from HFC-23 destruction in China.

Three projects in the DCF portfolio are currently the subject of purchase agreement negotiations which are expected to be completed by the end of 2006. The final portfolio of the DCF is expected to include about 10 projects. This is in addition to the DCF's participation of \$5.1 million in the World Bank managed Community Development Carbon Fund.

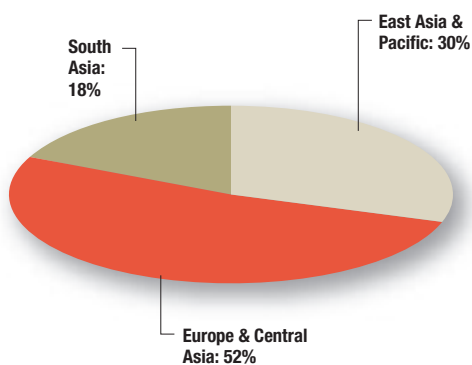


Danish Carbon Fund Portfolio Development *continued*

Active DCF Portfolio—\$66 Million

Geographic Distribution

Diversification, especially in terms of the countries in which the projects are located, is an important consideration for the DCF when reviewing and approving projects for inclusion in its portfolio. The seven most advanced projects (i.e. approved carbon finance documents and beyond) are located in five countries. The chart below illustrates the regional distribution of these seven projects, in terms of the investment they represent. The importance of the Europe and Central Asia region has been boosted by the inclusion of projects in Georgia and Azerbaijan in the portfolio.



Technological Distribution

The chart below illustrates the technology diversification of the most advanced projects in the DCF portfolio. While the relative share of the HFC-23 destruction project is significant (23%), the largest share (52%) of the DCF capital is currently committed to projects in the oil and gas sector. The remaining shares are divided among biomass, hydro, waste management and coal mine methane.

